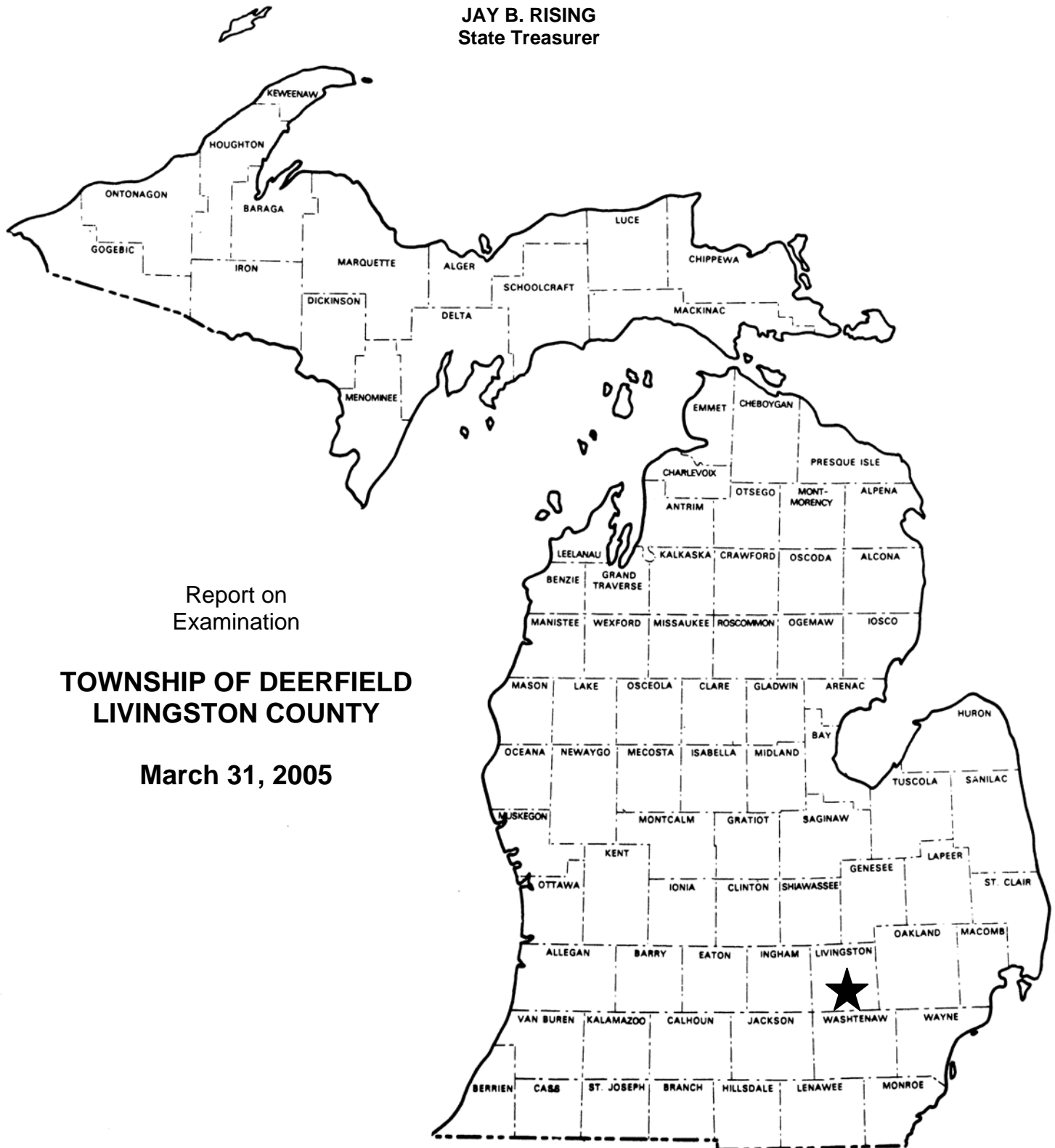


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

**TOWNSHIP OF DEERFIELD
LIVINGSTON COUNTY**

March 31, 2005

Local Audit and Finance Division
Bureau of Local Government Services

DEERFIELD TOWNSHIP

TOWNSHIP BOARD

Thomas Green
Supervisor

Nancy Laier
Clerk

Cheryl Petchell
Treasurer

Douglas Taylor
Trustee

Alfred Mattioli
Trustee

TOWNSHIP POPULATION--2000
4,087

STATE EQUALIZED VALUATION--2004
\$223,271,325



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

June 15, 2005

Township Board
Deerfield Township
4492 Center Road
Linden, Michigan 48451

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Deerfield Township, Livingston County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Deerfield Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note J, the Township of Deerfield adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of March 1, 2004.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Deerfield

Township, as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 15, 2005, on our consideration of Deerfield Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 5 and the Budgetary Comparisons for Major Funds in Exhibits I through L are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Deerfield Township's basic financial statements. The accompanying supplementary information and schedules, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The individual statements of revenues and expenditures for the general fund and combining statements related to the nonmajor governmental funds and the fiduciary fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken, as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

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DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

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TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the township as a whole and present a longer-term view of the township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the township's operations in more detail than the government-wide financial statements.

The Township as a Whole

Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior year information is available, comparative analysis of township data will be presented. The net assets are summarized below.

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets, net or related debt) are considered restricted.

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
Current Assets	\$ 994,423	\$ 41,492	\$1,035,915
Noncurrent Assets	5,026,720	1,775,049	6,801,769
Total Assets	6,021,143	1,816,541	7,837,684
Current Liabilities	95,008		95,008
Long-Term Liabilities	766,485	83,233	849,718
Total Liabilities	861,493	83,233	944,726
Net Assets			
Invested in Capital Assets--Net of Debt	4,260,235	1,691,816	5,952,051
Restricted	436,482		436,482
Unrestricted	462,933	41,492	504,425
Total Net Assets	\$ 5,159,650	\$ 1,733,308	\$6,892,958

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of March 31, 2005, as again, this is the first year of the township's conversion to GASB 34 provisions.

	Governmental Activities <u>2005</u>	Business-Type Activities <u>2005</u>	Total <u>2005</u>
Program Revenues			
Charges for Services	\$ 330,927	\$ 155,885	\$ 486,812
Operating Grants and Contributions	107,968		107,968
Capital Grants and Contributions	84,000		84,000
General Revenues			
Property Taxes	271,116		271,116
State-Shared Revenues	277,884		277,884
Unrestricted Investment Earnings	4,838	204	5,042
Special Item--Gain on Disposal of Capital Assets	<u>28,044</u>		<u>28,044</u>
Total Revenues	<u>1,104,777</u>	<u>156,089</u>	<u>1,260,866</u>
Program Expenses			
General Government	326,581		326,581
Public Safety	182,069		182,069
Public Works	152,335		152,335
Community and Economic Development	35,869		35,869
Recreation and Culture	490		490
Other	81,144		81,144
Interest on Long-Term Debt	34,326		34,326
Sewer		164,852	164,852
Total Expenses	<u>812,814</u>	<u>164,852</u>	<u>977,666</u>
Change in Net Assets	<u>\$ 291,963</u>	<u>\$ (8,763)</u>	<u>\$ 283,200</u>

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The township's total governmental revenues increased by \$192,601 and the expenditures increased by \$371,288 as follows:

	Governmental Activities 2004	Governmental Activities 2005	Amount Difference 2005	Percent Difference 2005
Revenues				
Taxes	\$ 255,674	\$ 271,116	\$ 15,442	6%
Licenses and Permits	20,803	21,644	841	4%
State Grants	278,677	282,599	3,922	1%
Charges for Services	22,805	23,685	880	4%
Contributions From Local Units	1,920	1,264	(656)	-34%
Fines and Forfeits	1,800	14,055	12,255	681%
Interest and Rentals	47,661	116,427	68,766	144%
Other	282,836	373,987	91,151	32%
Total Revenues	<u>912,176</u>	<u>1,104,777</u>	<u>192,601</u>	<u>21%</u>
Expenditures				
General Government	259,130	279,488	20,358	8%
Public Safety	106,351	176,076	69,725	66%
Public Works	143,995	152,335	8,340	6%
Health and Welfare	1,600		(1,600)	-100%
Community and Economic Development		35,869	35,869	100%
Recreation and Culture	446	490	44	10%
Other	36,233	81,144	44,911	124%
Capital Outlay	308,992	470,953	161,961	52%
Debt Service				
Principal	72,368	96,393	24,025	33%
Interest	26,671	34,326	7,655	29%
Total Expenditures	<u>955,786</u>	<u>1,327,074</u>	<u>371,288</u>	<u>39%</u>
Excess of Revenues Over (Under) Expenditures	<u>(43,610)</u>	<u>(222,297)</u>	<u>(178,687)</u>	<u>410%</u>
Other Financing Sources (Uses)				
Installment Loan Proceeds	450,000		(450,000)	-100%
Interfund Transfers In	59,000	52,646	(6,354)	-11%
Interfund Transfers (Out)	<u>(59,000)</u>	<u>(52,646)</u>	<u>6,354</u>	<u>-11%</u>
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>-</u>	<u>(450,000)</u>	<u>-100%</u>
Beginning Fund Balance	618,429	1,024,819	406,390	66%
Restatement to Beginning Fund Balance		<u>96,893</u>	<u>96,893</u>	<u>100%</u>
Restated Beginning Fund Balance	<u>618,429</u>	<u>1,121,712</u>	<u>503,283</u>	<u>81%</u>
Ending Fund Balance	<u>\$ 1,024,819</u>	<u>\$ 899,415</u>	<u>\$ (125,404)</u>	<u>-12%</u>

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The tax revenue increased for the year as the township continues to have a growing tax base. While the millage has remained unchanged, the township has received additional revenue due to the growing tax base.

The other revenue category increased mainly because of an \$84,000 private source contribution for a communications tower.

Expenditures increased by \$371,288 for the year. Most of the increase was attributable to fire related capital outlay and operating expenses, as this was the first full year of fire authority operations. The community and economic development expenditure total of \$35,869 consists of planning and zoning expenses, which were classified as public safety expenditures in prior years. The main reason for the increase in other expenditures was because of \$42,140 of special assessment refunds from the Wolcott Mill Special Assessment Fund.

Business-Type Activities

The Township's business-type activities consist of the Sewer Fund. The township provides sewage disposal services to some of the township's residents. The revenues and expenses of the sewer system remain virtually unchanged compared to the previous year.

The Township's Funds

Our analysis of the Township's major funds are listed in the audit report, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2005 include the General Fund, Municipal Road Fund, Fire Fund, Compliance Impact and Benefit Fund, and the Sewer Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of \$279,488 for 2005. These services are supported by the operating millage and state shared revenues. The Municipal Road Fund accounts for the road millage tax revenue that is restricted for use on county primary and local roads. The Fire Fund accounts for special assessment revenue that is restricted for fire protection and other emergency health and safety services. The Hidden Lake, Lobdell Lake, Ryan Lake and Katrine Hills Funds account for special assessment revenue that is restricted for lake clean up and channel weed control services. The Compliance Impact and Benefit Fund accounts for gravel mining royalty revenue that is used for costs of compliance with environmental laws and regulations related to gravel mining, including road repairs; and for general government activities. The Deerfield Hills Park Fund accounts for State grants and other contributions, for park land acquisition and park improvements. The Sewer Fund is described above.

TOWNSHIP OF DEERFIELD--LIVINGSTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant change was to increase the estimated capital outlay for the increase due to recording the cost of a new communications tower.

Capital Asset and Debt Administration

At the end of March 2005, the township's governmental funds had \$5,026,720 invested in a broad range of capital assets, including land; buildings and equipment; and \$1,775,049 invested in the sewer system. To pay for part of the costs of constructing a new town hall and fire hall, the township entered into installment purchase agreement debt obligations with a remaining balance of \$766,485. To pay for the sewer capital assets, the township entered into bond agreement debt obligations with a remaining balance of \$83,233.

Economic Factors and Next Year's Budgets and Rates

The Township's 2006 budget will remain primarily the same as 2005, other than there are no major capital outlay expenditures anticipated as there were for 2005. The Township's budget is not expected to have any significant fluctuations in revenues or expenses.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office at 4492 Center Road, Linden, MI 48451.

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005**

EXHIBIT A

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 462,526	\$ 18,168	\$ 480,694
Investments	392,320		392,320
Receivables			
Taxes--Delinquent	30,882		30,882
Special Assessments	50,322		50,322
Accounts	14,216	23,324	37,540
Due From State	43,157		43,157
Due From Other Funds--Agency Fund	1,000		1,000
Total Current Assets	994,423	41,492	1,035,915
Noncurrent Assets			
Capital Assets--Net of Accumulated Depreciation	5,026,720	1,775,049	6,801,769
Total Assets	6,021,143	1,816,541	7,837,684
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	62,887		62,887
Due to Local Units of Government	-		-
Accrued Liabilities	4,419		4,419
Performance Deposits Payable	15,105		15,105
Escrow Deposits Payable	12,597		12,597
Noncurrent Liabilities			
Bonds Payable--Due Within One Year		19,207	19,207
Bonds Payable--Due in More Than One year		64,026	64,026
Installment Loan Payable--Due Within One Year	86,103		86,103
Installment Loan Payable--Due in More Than One Year	680,382		680,382
Total Liabilities	861,493	83,233	944,726
<u>NET ASSETS</u>			
Investment in Capital Assets--Net of Related Debt	4,260,235	1,691,816	5,952,051
Restricted for			
Metro Act	4,964		4,964
Roads	129,535		129,535
Special Assessment Programs	142,337		142,337
Compliance Impact and Benefit	140,822		140,822
Debt Service	402		402
Capital Project	18,422		18,422
Unrestricted	462,933	41,492	504,425
Total Net Assets	\$ 5,159,650	\$ 1,733,308	\$ 6,892,958

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2005

EXHIBIT B

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 326,581	\$ 44,928		\$ 84,000	\$ (197,653)		\$ (197,653)
Public Safety	182,069	231,575	\$ 1,184		50,690		50,690
Public Works	152,335	22,950	6,774		(122,611)		(122,611)
Community and Economic Development	35,869	28,843			(7,026)		(7,026)
Recreation and Culture	490		103		(387)		(387)
Other	81,144	2,631	99,907		21,394		21,394
Interest on Long-Term Debt	34,326				(34,326)		(34,326)
Total Governmental Activities	812,814	330,927	107,968	84,000	(289,919)	\$ -	(289,919)
Business-Type Activities							
Sewer	164,852	155,885				(8,967)	(8,967)
Total Business-Type Activities	164,852	155,885	-	-	-	(8,967)	(8,967)
Total Primary Government	\$ 977,666	\$ 486,812	\$ 107,968	\$ 84,000	\$ (289,919)	\$ (8,967)	\$ (298,886)
General Revenues							
Property Taxes					\$ 271,116		\$ 271,116
State-Shared Revenues					277,884		277,884
Unrestricted Investment Earnings					4,838	\$ 204	5,042
Special Item--Gain on Disposal of Capital Assets					28,044		28,044
Total General Revenues--Special Items and Transfers					581,882	204	582,086
Change in Net Assets					291,963	(8,763)	283,200
Net Assets--Beginning					4,867,687	1,742,071	6,609,758
Net Assets--Ending					\$ 5,159,650	\$ 1,733,308	\$ 6,892,958

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2005

EXHIBIT C

	MAJOR GOVERNMENTAL FUNDS					
	General Fund	Municipal Road	Fire	Compliance Impact and Benefit	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 2,368	\$ 153,657	\$ 78,703	\$ 191,030	\$ 36,768	\$ 462,526
Investments	392,320					392,320
Receivables						
Taxes--Delinquent	15,188	15,694				30,882
Special Assessments			27,372		22,950	50,322
Accounts	3,189			11,027		14,216
Due From State	43,157					43,157
Due From Other Funds	1,000					1,000
Total Assets	\$ 457,222	\$ 169,351	\$ 106,075	\$ 202,057	\$ 59,718	\$ 994,423
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities						
Accounts Payable	\$ 18,439	\$ 39,816	\$ 4,632			\$ 62,887
Due to Local Units of Government					-	-
Accrued Liabilities	4,419					4,419
Performance Deposits Payable	15,105					15,105
Escrow Deposits Payable	12,597					12,597
Total Liabilities	50,560	39,816	4,632	\$ -	\$ -	95,008
Fund Equity						
Fund Balances						
Reserved for						
Municipal Road		129,535				129,535
Program Special Assessment			101,443		40,894	142,337
Compliance Impact and Benefit				140,822		140,822
Debt Service					402	402
Capital Projects					18,422	18,422
Metro Act	4,964					4,964
Unreserved--Undesignated	401,698			61,235		462,933
Total Fund Equity	406,662	129,535	101,443	202,057	59,718	899,415
Total Liabilities and Fund Equity	\$ 457,222	\$ 169,351	\$ 106,075	\$ 202,057	\$ 59,718	\$ 994,423

The Notes to Financial Statements are an integral part of this statement.

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
March 31, 2005**

EXHIBIT C-1

Fund Balances--Total Governmental Funds	\$ 899,415
---	------------

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Add--Capital Assets	5,184,071
Deduct--Accumulated Depreciation	<u>(157,351)</u>

Net Capital Asset Addition	<u>5,026,720</u>
----------------------------	------------------

Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the funds.	<u>(766,485)</u>
--	------------------

Net Assets of Governmental Activities	<u><u>\$ 5,159,650</u></u>
---------------------------------------	----------------------------

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2005

EXHIBIT D

	MAJOR GOVERNMENTAL FUNDS					
	General Fund	Municipal Road	Fire	Compliance Impact and Benefit	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Taxes and Penalties	\$ 133,410	\$ 137,706				\$ 271,116
Licenses and Permits	21,644					21,644
State Grants	282,599					282,599
Contributions From Local Units	1,264					1,264
Charges for Services	23,535				\$ 150	23,685
Fines and Forfeitures	14,055					14,055
Interest and Rentals	14,438	665	\$ 1,107	\$ 99,794	423	116,427
Other Revenue	88,952		231,410	2,631	50,994	373,987
Total Revenues	579,897	138,371	232,517	102,425	51,567	1,104,777
Expenditures						
Current						
General Government	279,488					279,488
Public Safety	780		175,296		-	176,076
Public Works	5,604	122,339			24,392	152,335
Community and Economic Development	35,869					35,869
Recreation and Cultural					490	490
Other	35,820			3,184	42,140	81,144
Capital Outlay	153,229		317,724		-	470,953
Debt Service						
Principal	45,242		37,401		13,750	96,393
Interest	15,389		18,181		756	34,326
Total Expenditures	571,421	122,339	548,602	3,184	81,528	1,327,074
Excess of Revenues Over (Under) Expenditures	8,476	16,032	(316,085)	99,241	(29,961)	(222,297)
Other Financing Sources (Uses)						
Interfund Transfers In						
Primary Government	43,646				9,000	52,646
Interfund Transfers (Out)						
Primary Government	(9,000)			(40,000)	(3,646)	(52,646)
Total Other Financing Sources (Uses)	34,646	-	-	(40,000)	5,354	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	43,122	16,032	(316,085)	59,241	(24,607)	(222,297)
Fund Balance--April 1, 2004	363,540	113,503	417,528	45,923	84,325	1,024,819
Restatement to Fund Balance -- April 1, 2004				96,893		96,893
Restated Fund Balance--April 1, 2004	363,540	113,503	417,528	142,816	84,325	1,121,712
Fund Balance--March 31, 2005	\$ 406,662	\$ 129,535	\$ 101,443	\$ 202,057	\$ 59,718	\$ 899,415

The Notes to Financial Statements are an integral part of this statement.

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2005**

EXHIBIT D-1

Net Change in Fund Balances--Total Governmental Funds	\$ (222,297)
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the costs of those assets are allocated over
their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	470,953
Deduct--Depreciation Expense	(53,086)

Repayment of loan principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	<u>96,393</u>
--	---------------

Change in Net Assets of Governmental Activities	<u><u>\$ 291,963</u></u>
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The Notes to Financial Statements are an integral part of this statement.

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF NET ASSETS
SEWER--MAJOR ENTERPRISE FUND
MARCH 31, 2005**

EXHIBIT E

<u>ASSETS</u>	<u>Business-Type Activities</u>
Current Assets	
Cash and Cash Equivalents	\$ 18,168
Accounts Receivable	<u>23,324</u>
Total Current Assets	<u>41,492</u>
Noncurrent Assets	
Capital Assets (Net of Accumulated Depreciation)	<u>1,775,049</u>
Total Noncurrent Assets	<u>1,775,049</u>
Total Assets	<u>1,816,541</u>
<u>LIABILITIES</u>	
Noncurrent Liabilities	
Bonds Payable--Due Within One Year	19,207
Bonds Payable--Due in More Than One year	<u>64,026</u>
Total Noncurrent Liabilities	<u>83,233</u>
Total Liabilities	<u>83,233</u>
<u>NET ASSETS</u>	
Investment in Capital Assets--Net of Related Debt Unrestricted	1,691,816
	<u>41,492</u>
Total Net Assets	<u><u>\$ 1,733,308</u></u>

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--SEWER--MAJOR ENTERPRISE FUND
For the Year Ended March 31, 2005

EXHIBIT F

	Business-Type Activities
Operating Revenues	
Charges for Services	\$ 155,885
Total Operating Revenues	<u>155,885</u>
Operating Expenses	
Contractual Services	135,577
Depreciation	<u>24,141</u>
Total Operating Expenses	<u>159,718</u>
Operating Income (Loss)	<u>(3,833)</u>
Nonoperating Revenues (Expenses)	
Interest and Investment Revenue	204
Interest Expense	<u>(5,134)</u>
Total Nonoperating Revenues (Expenses)	<u>(4,930)</u>
Income (Loss) Before Contributions and Transfers	<u>(8,763)</u>
Change in Net Assets	<u>(8,763)</u>
Total Net Assets--April 1, 2004	<u>1,742,071</u>
Total Net Assets--March 31, 2005	<u><u>\$ 1,733,308</u></u>

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF CASH FLOWS
SEWER--MAJOR ENTERPRISE FUND
For the Year Ended March 31, 2005

EXHIBIT G

	Business-Type Activities
Cash Flows From Operating Activities	
Receipts From Customers	\$ 147,036
Payments to Suppliers	<u>(135,577)</u>
Net Cash Provided by Operating Activities	<u>11,459</u>
Cash Flows From Capital and Related Financing Activities	
Bond Principal Payments	(42,648)
Interest Expense	<u>(5,134)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(47,782)</u>
Cash Flows From Investing Activities	
Interest Earned on Investments	<u>204</u>
Net Cash Provided by Investing Activities	<u>204</u>
Net Increase in Cash and Cash Equivalents	(36,119)
Cash and Cash Equivalents--April 1, 2004	<u>54,287</u>
Cash and Cash Equivalents--March 31, 2005	<u><u>\$ 18,168</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (3,833)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	24,141
Changes in Assets and Liabilities	
Decrease (Increase) in Accounts Receivable	<u>(8,849)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 11,459</u></u>

The Notes to Financial Statements are an integral part of this statement.

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUND
March 31, 2005**

EXHIBIT H

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ (1,338)
Investments	<u>38,769</u>
Total Assets	<u><u>\$ 37,431</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Due to Other Funds--Primary Government	\$ 1,000
Undistributed Tax Collections	<u>36,431</u>
Total Liabilities	<u><u>\$ 37,431</u></u>

The Notes to Financial Statements are an integral part of this statement.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Deerfield Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Deerfield Township:

Reporting Entity

Deerfield Township, which covers an area of 36 square miles, is located in Livingston County. The township provides services to approximately 4000 residents in many areas including fire protection, general administrative services, and community enrichment and development. Deerfield Township is a general law township governed by a 5-member board elected by the citizens of Deerfield Township. The township board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the township for financial reporting purposes. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if component unit data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the township.

JOINTLY GOVERNED ORGANIZATION

Hartland Deerfield Tyrone Fire Authority

The Hartland Deerfield Tyrone Fire Authority consists of the Townships of Hartland, Deerfield and Tyrone. The principal office of the Authority is located at 3205 Hartland Road, Hartland, Michigan. Financial records for the board are recorded and maintained on a contractual basis by the Hartland Township Director of Finance. The Fire Authority Board shall determine the financial responsibility of each township of the approved Authority budget for the subsequent fiscal year by applying a formula that combines weighted equivalents of State Equalized Value (SEV), Population from the last available census, and an average of the past three years of incident hours per year.

Deerfield Township's appropriation to the Hartland Deerfield Tyrone Fire Authority for the year ended March 31, 2005 was \$143,096 for operating expenses and \$31,472 for fire apparatus.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the township.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Road Fund accounts for road maintenance and improvements, and is funded by a property tax millage.

The Fire Fund accounts for special assessments collected for the purpose of fire protection and emergency services provided by the Hartland, Deerfield and Tyrone Fire Authority.

The Compliance Impact and Benefit Fund accounts for gravel mining royalty revenue that is used for costs of compliance with environmental laws and regulations related to gravel mining, including road repairs; and for general government activities.

The township reports the following major proprietary fund:

The Sewer Fund accounts for the sewer operations of the township.

Additionally, the township reports the following fund type:

Agency Fund--This fund accounts for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The township has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations (sewer). Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

Bank Deposits and Investments

For the purposes of the statement of cash flows, demand deposits and short-term investments with maturity of three months or less, when acquired, are considered to be cash equivalents. Investments for the government are reported at fair value.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property Taxes

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The township property tax is levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is the township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of township operations. Payment from the county for the 2004 delinquent taxes, which it purchased subsequent to March 31st, is recorded as delinquent taxes receivable in the General Fund and Municipal Road Fund.

The 2004 taxable value of Deerfield Township amounted to \$138,243,046, on which ad valorem taxes of .9669 mills, \$133,146, were levied for township operating purposes; and 1.0000 special voted mills, \$137,706, were levied for township road purposes. These taxes are recorded as revenue on township records in and for the fiscal year ended March 31, 2005.

Special Assessments

Special assessments are levied annually for fire authority, and lake level maintenance and improvement purposes. The assessment is payable on or after December 1st.

It is the township's policy to recognize revenues in the current year when the current assessments are collected. Payment from the county for the 2004 delinquent assessments, which it purchased subsequent to March 31, is recorded as delinquent special assessments receivable in the special revenue funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The township has no infrastructure to report.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>
Land Improvements	12 to 40 years	
Communications Tower	40 years	
Buildings	40 years	
Equipment and Furniture	5 to 10 years	
Sewer System		40 years

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The annual budget is prepared by the township supervisor and, after a public budget hearing is held, adopted by the township board at an open meeting of the board. The township board approves all subsequent amendments to the budget. The general fund and special revenue funds are under formal budgetary control. The budget has been prepared on the modified accrual basis of accounting, which is in accordance with generally accepted accounting principles. The budget has been adopted at the activity level. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. Unexpended appropriations lapse at year end.

NOTE C--CASH AND INVESTMENTS

Michigan Compiled Laws (MCL), Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities, and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. Deposits of the township are at two banks in the name of the township. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the instruments described in the preceding paragraph. The township's deposits are in accordance with statutory authority.

The risk disclosures for the township's deposits at March 31, 2005 as required by the Governmental Accounting Standards Board (GASB) Statement No. 3, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 462,526	\$ 18,168	\$ (1,338)	\$ 479,356
Investments	<u>392,320</u>	<u></u>	<u>38,769</u>	<u>431,089</u>
Total	<u>\$ 854,846</u>	<u>\$ 18,168</u>	<u>\$ 37,431</u>	<u>\$ 910,445</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 479,256
Investments	431,089
Petty Cash and Cash on Hand	<u>100</u>
Total	<u><u>\$ 910,445</u></u>

The bank balances of the primary government's deposits are \$542,002, of which \$200,000 is covered by Federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year end, the government's investment balances were categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Nonrisk-Categorized					
Public Funds Money Markets				<u>\$431,089</u>	<u>\$431,089</u>
Total Investments				<u><u>\$431,089</u></u>	<u><u>\$431,089</u></u>

The nature of mutual funds, insurance annuities, bond funds and equity pools do not allow for risk-categorization, which is in accordance with GASB Statement No. 3.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY**NOTES TO FINANCIAL STATEMENTS****NOTE D--RECEIVABLES**

Receivables as of year end for the primary government's individual major and nonmajor funds are as follows:

	Primary Government						
	General Fund	Municipal Road	Fire Fund	Compliance Impact & Benefit	Sewer Fund	Non-Major Funds	Total
Taxes	\$ 15,188	\$ 15,694					\$ 30,882
Special Assessments			\$ 27,372			\$ 22,950	50,322
Accounts	3,189			\$ 11,027	\$ 23,324		37,540
Due From State	43,157						43,157
Less: Allowance for Uncollectibles							-
Total	<u>\$ 61,534</u>	<u>\$ 15,694</u>	<u>\$ 27,372</u>	<u>\$ 11,027</u>	<u>\$ 23,324</u>	<u>\$ 22,950</u>	<u>\$ 161,901</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS

Capital asset activity of the township's governmental funds for the current year was as follows:

<u>Governmental Activities</u>	<u>Account Balances 04/01/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Account Balances 03/31/05</u>
Capital Assets Not Being Depreciated				
Land	\$3,344,441			\$3,344,441
Land Improvements	152,252			152,252
Park Land Improvements	68,378			68,378
Construction in Progress	190,942		\$ 190,942	-
Subtotal	<u>3,756,013</u>	<u>\$ -</u>	<u>190,942</u>	<u>3,565,071</u>
Capital Assets Being Depreciated				
Land Improvements		74,964		74,964
Communications Tower		84,000		84,000
Buildings	933,308	498,869	80,000	1,352,177
Equipment and Furniture	106,572	4,062	2,775	107,859
Subtotal	<u>1,039,880</u>	<u>661,895</u>	<u>82,775</u>	<u>1,619,000</u>
Less Accumulated Depreciation				
Land Improvements		7,496		7,496
Communications Tower		2,100		2,100
Buildings	127,461	26,147	80,000	73,608
Equipment and Furniture	59,579	17,343	2,775	74,147
Subtotal	<u>187,040</u>	<u>53,086</u>	<u>82,775</u>	<u>157,351</u>
Net Capital Assets Being Depreciated	<u>852,840</u>	<u>661,895</u>	<u>53,086</u>	<u>1,461,649</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u><u>\$4,608,853</u></u>	<u><u>\$661,895</u></u>	<u><u>\$ 244,028</u></u>	<u><u>\$5,026,720</u></u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS (Continued)

Capital asset activity of the township's enterprise fund for the current year was as follows:

<u>Business-Type Activities</u>	<u>Account Balances 04/01/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Account Balances 03/31/05</u>
Capital Assets Not Being Depreciated				
Land	\$ 14,077			\$ 14,077
Subtotal	14,077	\$ -	\$ -	14,077
Capital Assets Being Depreciated				
Sewage Disposal System	2,223,448			2,223,448
Subtotal	2,223,448	-	-	2,223,448
Less Accumulated Depreciation				
Sewage Disposal System	438,335	24,141		462,476
Subtotal	438,335	24,141	-	462,476
Net Capital Assets Being Depreciated	1,785,113	-	24,141	1,760,972
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 1,799,190</u>	<u>\$ -</u>	<u>\$ 24,141</u>	<u>\$1,775,049</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$47,093
Public Safety	<u>5,993</u>
Total Governmental Activities	<u>\$53,086</u>
Business-Type Activities	
Sewer	<u>\$24,141</u>
Total Business-Type Activities	<u>\$24,141</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The amounts of the interfund receivables and payables for the township are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>\$ 1,000</u>	Agency	<u>\$ 1,000</u>
Total	<u><u>\$ 1,000</u></u>		<u><u>\$ 1,000</u></u>

The 2005 operating transfers can be summarized as follows:

	<u>Transfers In</u>		<u>Transfers (Out)</u>
General	\$43,646	Compliance Impact and Benefit	\$(40,000)
		Non-Major Governmental	(3,646)
Non-Major Governmental	<u>9,000</u>	General	<u>(9,000)</u>
Totals	<u><u>\$52,646</u></u>		<u><u>\$(52,646)</u></u>

NOTE G--LONG-TERM DEBT

The township issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the township. Township contractual agreements and installment purchase agreements are also general obligations of the township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Balances</u> <u>04/01/04</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balances</u> <u>03/31/05</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>				
Wolcott Mill 5.25% 1994 bonds for the purchase of Wolcott Mill, land and water rights to regulate lake level	\$ 13,750	\$ (13,750)	-	
Installment Loan with First National Bank in Howell for a municipal building (Town Hall) (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell)	343,480	(37,926)	\$305,554	\$ 39,432
Installment Loan with First National Bank in Howell for a municipal building (Town Hall) (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell)	70,764	(7,316)	63,448	7,610
Installment Loan with First National Bank in Howell for a municipal building (Fire Hall) (Bernco Inc. assigned an installment purchase agreement to First National Bank in Howell)	<u>434,884</u>	<u>(37,401)</u>	<u>397,483</u>	<u>39,061</u>
Total Governmental Activities	<u>\$862,878</u>	<u>\$ (96,393)</u>	<u>\$766,485</u>	<u>\$ 86,103</u>
<u>Business-Type Activities</u>				
Sewage Disposal System #7 4 - 5.6% 1994 Refunding Bonds	\$ 23,440	\$ (23,440)	-	
Sewage Disposal System Upgrade 3.7 - 4.5% 1999 Bonds	<u>102,441</u>	<u>(19,208)</u>	<u>\$ 83,233</u>	<u>\$ 19,207</u>
Total Business-Type Activities	<u>\$125,881</u>	<u>\$ (42,648)</u>	<u>\$ 83,233</u>	<u>\$ 19,207</u>
Total Reporting Entity Activities	<u>\$988,759</u>	<u>\$(139,041)</u>	<u>\$849,718</u>	<u>\$ 105,310</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

The debt service requirements to maturity for the township's debt obligations outstanding at March 31, 2005 are as follows:

Annual Debt Service Requirements--Governmental Activities

Installment Loan Payable

Installment loan with First National Bank in Howell for a municipal building. (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell.)

Date of Loan: March 11, 2002

Amount of Loan: \$417,725

Interest Rate: 3.9%

The loan bears interest at 3.9% payable in 60 monthly installments of \$4,220.71 plus a balloon payment of \$228,603 in March 2007, as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/06	\$ 39,432	\$11,217	\$ 50,649
03/31/07	<u>266,122</u>	<u>8,908</u>	<u>275,030</u>
	<u>\$305,554</u>	<u>\$20,125</u>	<u>\$325,679</u>

Installment Loan Payable

Installment loan with First National Bank in Howell for a municipal building. (Cornerstone Engineering assigned an installment purchase agreement to First National Bank in Howell.)

Date of Loan: August 16, 2002

Amount of Loan: \$82,275

Interest Rate: 3.9%

The loan bears interest at 3.9% payable in 54 monthly installments of \$831.87 plus a balloon payment of \$49,423 in March 2007, as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/06	\$ 7,610	\$2,373	\$ 9,983
03/31/07	<u>55,838</u>	<u>1,903</u>	<u>57,741</u>
	<u>\$63,448</u>	<u>\$4,276</u>	<u>\$67,724</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Installment Loan Payable

Installment loan with First National Bank in Howell for a township fire hall building. (Bernco Inc. assigned an installment purchase agreement to First National Bank in Howell.)

Date of Loan: November 10, 2003

Amount of Loan: \$450,000

Interest Rate: 4.35%

The loan bears interest at 4.35% payable in 59 monthly installments of \$4,631.82 plus a balloon payment of \$253,999 in December 2008, as follows:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/06	\$ 39,061	\$16,521	\$ 55,582
03/31/07	40,794	14,787	55,581
03/31/08	42,571	13,011	55,582
03/31/09	<u>275,057</u>	<u>6,735</u>	<u>281,792</u>
	<u>\$397,483</u>	<u>\$51,054</u>	<u>\$448,537</u>

Annual Debt Service Requirements--Business-Type Activities

The township has a sewage disposal system in place for a portion of its properties. The township contracts with Argentine Township to handle fee collections and with Genesee County for maintenance of the system.

Sanitary Sewage Disposal System Upgrade Bonds

Deerfield Township and Argentine Township (Genesee County) entered into a Sanitary Sewage Disposal System Upgrade Bonds agreement with a total issue of \$675,000. Deerfield Township's share of the bonds is 25.61% or \$172,867.

Date of Issue: June 1, 1999

Interest Rate: 3.7 - 4.5%

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
03/31/06	\$ 19,207	\$ 3,630	\$ 22,837
03/31/07	19,208	2,824	22,032
03/31/08	19,208	1,998	21,206
03/31/09	<u>25,610</u>	<u>1,152</u>	<u>26,762</u>
	<u>\$ 83,233</u>	<u>\$ 9,604</u>	<u>\$ 92,837</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--POST-EMPLOYMENT BENEFITS

The township does not offer post-employment benefits to its employees or elected officials.

NOTE I--RISK MANAGEMENT

The township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The township continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

NOTE J--CHANGE IN ACCOUNTING PRINCIPLE

Effective March 1, 2004, the Deerfield Township implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the accrual basis of accounting.

Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating contributed capital accounts and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement No. 34.

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE K--RESTATEMENT TO FUND BALANCE

The Compliance Impact and Benefit Fund had a restatement of fund balance in the amount of \$96,893 to reclassify the "Due to Other Governmental Units" at March 31, 2004, and to reflect a change in the accounting treatment to properly recognize gravel royalty revenues restricted for road repairs and related expenditures. The change in the March 31, 2004 fund balance is as follows:

	<u>Unreserved Fund Balance</u>	<u>Reserved Fund Balance</u>	<u>Total Fund Balance</u>
Fund Balance--March 31, 2004	\$45,923		\$ 45,923
Restatement to Fund Balance	<u> </u>	<u>\$96,893</u>	<u>96,893</u>
Fund Balance Restated--March 31, 2004	<u><u>\$45,923</u></u>	<u><u>\$96,893</u></u>	<u><u>\$142,816</u></u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended March 31, 2005

EXHIBIT I

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Fund Balance--April 1, 2004	\$ 317,579	\$ 363,540	\$ 363,540	-
Resources (Inflows)				
Property Taxes	130,000	133,000	133,410	\$ 410
Licenses and Permits	16,750	16,000	21,644	5,644
State Grants	260,000	276,250	282,599	6,349
Contributions From Local Units of Government	-	-	1,264	1,264
Charges for Services	14,700	20,200	23,535	3,335
Fines and Forfeitures	1,500	14,000	14,055	55
Interest and Rentals	13,500	14,100	14,438	338
Other Revenue	-	84,000	88,952	4,952
Transfers From Other Funds	40,000	43,600	43,646	46
Amounts Available for Appropriation	794,029	964,690	987,083	22,393
Charges to Appropriations (Outflows)				
Current				
General Government	290,000	284,600	279,488	5,112
Public Safety	2,000	800	780	20
Public Works	9,500	5,700	5,604	96
Health and Welfare	1,600	1,600	-	1,600
Community and Economic Development	38,000	36,900	35,869	1,031
Other	30,000	37,000	35,820	1,180
Capital Outlay	35,000	164,500	153,229	11,271
Debt Service				
Principal	45,250	45,250	45,242	8
Interest	15,450	15,450	15,389	61
Transfers to Other Funds	9,000	9,000	9,000	-
Total Charges to Appropriations	475,800	600,800	580,421	20,379
Fund Balance--March 31, 2005	\$ 318,229	\$ 363,890	\$ 406,662	\$ 42,772

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL ROAD FUND
Year Ended March 31, 2005

EXHIBIT J

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Fund Balance--April 1, 2004	\$ 80,813	\$ 113,503	\$ 113,503	-
Resources (Inflows)				
Property Taxes	126,500	126,500	- 137,706	\$ 11,206
Interest and Rentals	500	500	665	165
Amounts Available for Appropriation	207,813	240,503	251,874	11,371
Charges to Appropriations (Outflows)				
Current				
Public Works	150,500	150,500	122,339	28,161
Total Charges to Appropriations	150,500	150,500	122,339	28,161
Fund Balance--March 31, 2005	\$ 57,313	\$ 90,003	\$ 129,535	\$ 39,532

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
Year Ended March 31, 2005

EXHIBIT K

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Fund Balance--April 1, 2004	\$ 128,375	\$ 417,528	\$ 417,528	-
Resources (Inflows)				
Interest and Rentals		-	1,107	\$ 1,107
Other Revenue	226,600	226,600	231,410	4,810
Amounts Available for Appropriation	354,975	644,128	650,045	5,917
Charges to Appropriations (Outflows)				
Current				
Public Safety	175,560	175,560	175,296	264
Capital Outlay	30,000	360,000	317,724	42,276
Debt Service				
Principal	37,401	37,401	37,401	-
Interest	18,181	18,181	18,181	-
Total Charges to Appropriations	261,142	591,142	548,602	42,540
Fund Balance--March 31, 2005	\$ 93,833	\$ 52,986	\$ 101,443	\$ 48,457

**DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
COMPLIANCE IMPACT AND BENEFIT FUND
Year Ended March 31, 2005**

EXHIBIT L

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Fund Balance--April 1, 2004	\$ 41,804	\$ 45,923	\$ 45,923	-
Restatement to Fund Balance--April 1, 2004			96,893	\$ 96,893
Restated Fund Balance--April 1, 2004	41,804	45,923	142,816	96,893
Resources (Inflows)				
Interest and Rentals	27,500	27,500	99,794	72,294
Other Revenue			2,631	2,631
Amounts Available for Appropriation	69,304	73,423	245,241	268,711
Charges to Appropriations (Outflows)				
Current				
Other	4,000	4,000	3,184	816
Transfers to Other Funds	40,000	40,000	40,000	-
Total Charges to Appropriations	44,000	44,000	43,184	816
Fund Balance--March 31, 2005	\$ 25,304	\$ 29,423	\$ 202,057	\$ 172,634

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2005

EXHIBIT M

	SPECIAL REVENUE FUNDS					DEBT SERVICE FUND	CAPITAL PROJECTS FUND	
	Hidden Lake Special Assessment	Lobdell Lake Special Assessment	Ryan Lake Special Assessment	Katrine Hills Special Assessment	Building Department	Wolcott Mill Special Assessment	Deerfield Hills Park	Total
<u>ASSETS</u>								
Cash	\$ 138	\$ 12,989	\$ 4,538	\$ 279		\$ 402	\$ 18,422	\$ 36,768
Receivables								
Special Assessments	3,250	8,500	8,800	2,400				22,950
Total Assets	\$ 3,388	\$ 21,489	\$ 13,338	\$ 2,679	\$ -	\$ 402	\$ 18,422	\$ 59,718
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities								
Accounts Payable								
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances								
Reserved for								
Program Special Assessments	3,388	21,489	13,338	2,679	-			40,894
Debt Service						402		402
Capital Projects							18,422	18,422
Total Fund Balances	3,388	21,489	13,338	2,679	-	402	18,422	59,718
Total Liabilities and Fund Balances	\$ 3,388	\$ 21,489	\$ 13,338	\$ 2,679	\$ -	\$ 402	\$ 18,422	\$ 59,718

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended March 31, 2005

EXHIBIT N

	SPECIAL REVENUE FUNDS					DEBT SERVICE FUND	CAPITAL PROJECTS FUND	
	Hidden Lake Special Assessment	Lobdell Lake Special Assessment	Ryan Lake Special Assessment	Katrine Hills Special Assessment	Building Department	Wolcott Mill Special Assessment	Deerfield Hills Park	Total
Revenues								
Charges for Services					\$ 150			\$ 150
Interest and Rents	\$ 5	\$ 107	\$ 37	\$ 2	77	\$ 113	\$ 82	423
Other	3,250	8,500	8,800	2,400		28,044		50,994
Total Revenues	3,255	8,607	8,837	2,402	227	28,157	82	51,567
Expenditures								
Current								
Public Works	4,764	8,322	9,867	1,439				24,392
Recreation and Cultural							490	490
Other						42,140		42,140
Debt Service								
Principal						13,750		13,750
Interest						756		756
Total Expenditures	4,764	8,322	9,867	1,439	-	56,646	490	81,528
Excess of Revenues Over (Under) Expenditures	(1,509)	285	(1,030)	963	227	(28,489)	(408)	(29,961)
Other Financing Sources (Uses)								
Operating Transfers In							9,000	9,000
Operating Transfers (Out)					(3,646)			(3,646)
Total Other Financing Sources (Uses)	-	-	-	-	(3,646)	-	9,000	5,354
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,509)	285	(1,030)	963	(3,419)	(28,489)	8,592	(24,607)
Fund Balance--April 1, 2004	4,897	21,204	14,368	1,716	3,419	28,891	9,830	84,325
Fund Balance--March 31, 2005	\$ 3,388	\$21,489	\$13,338	\$2,679	\$ -	\$ 402	\$ 18,422	\$ 59,718

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended March 31, 2005

EXHIBIT O

	Balance 04/01/04	Additions	Deductions	Balance 03/31/05
<u>TRUST AND AGENCY FUND</u>				
Assets				
Cash	\$ 31	\$ 2,365,338	\$ 2,366,707	\$ (1,338)
Investments	1,358	2,406,310	2,368,899	38,769
Total Assets	<u>\$ 1,389</u>	<u>\$ 4,771,648</u>	<u>\$ 4,735,606</u>	<u>\$ 37,431</u>
Liabilities				
Due to Other Funds	\$ 1,000			\$ 1,000
Undistributed Tax Collections	389	\$ 2,387,048	\$ 2,351,006	36,431
Total Liabilities	<u>\$ 1,389</u>	<u>\$ 2,387,048</u>	<u>\$ 2,351,006</u>	<u>\$ 37,431</u>

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
SCHEDULE OF REVENUES AND OTHER SOURCES--BY SOURCE
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2005

EXHIBIT P

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes				
Current Property Taxes	\$ 130,000	\$ 133,000	\$ 133,146	\$ 146
Payments in-Lieu-of Taxes			264	264
Total Taxes	130,000	133,000	133,410	410
Licenses and Permits				
Cable Franchise Fees	9,000	9,000	13,904	4,904
Land Use Permits	7,000	7,000	7,740	740
Special Use Permits	750			-
Total Licenses and Permits	16,750	16,000	21,644	5,644
State Grants				
Recreation		1,250	21	(1,229)
Metro Act			4,694	4,694
Revenue Sharing	260,000	275,000	277,884	2,884
Total State Grants	260,000	276,250	282,599	6,349
Contributions From Local Units of Government				
Livingston County--Solid Waste Management			1,264	1,264
Total Contributions From Local Units of Government	-	-	1,264	1,264
Charges for Services				
Fire Runs			15	15
Zoning Fees	9,500	17,000	19,528	2,528
Zoning Board of Appeals	2,500	1,500	1,575	75
Administration Fees--Special Assessments	1,000	1,000	1,555	555
Copies and Printed Materials Sales	1,700	700	862	162
Total Charges for Services	14,700	20,200	23,535	3,335
Fines and Forfeitures				
Bond Forfeitures	1,500	14,000	14,055	55
Total Fines and Forfeitures	1,500	14,000	14,055	55
Interest and Rents				
Interest Earned	4,500	4,500	4,838	338
Rent	9,000	9,600	9,600	-
Total Interest and Rents	13,500	14,100	14,438	338
Other Revenue				
Contributions From Private Sources		84,000	84,000	-
Reimbursements			1,341	1,341
Insurance Recoveries			3,611	3,611
Total Other Revenue	-	84,000	88,952	4,952
Total Revenues	436,450	557,550	579,897	22,347
Other Sources				
Operating Transfers In From				
Building Department		3,600	3,646	46
Compliance Impact and Benefit	40,000	40,000	40,000	-
Total Other Sources	40,000	43,600	43,646	46
Total Revenue and Other Sources	\$ 476,450	\$ 601,150	\$ 623,543	\$ 22,393

DEERFIELD TOWNSHIP--LIVINGSTON COUNTY
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended March 31, 2005

EXHIBIT Q

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable)
General Government				
Township Board	\$ 14,000	\$ 14,500	\$ 14,314	\$ 186
Supervisor	21,000	21,500	21,227	273
Clerk	38,000	44,000	43,416	584
Board of Review	1,500	1,500	746	754
Other General Services--Administration	41,000	44,000	43,391	609
Treasurer	46,000	40,500	39,196	1,304
Assessor	39,500	33,500	33,310	190
Elections	20,000	17,000	16,604	396
Building and Grounds	35,000	34,600	34,561	39
Attorney	26,000	24,000	23,343	657
Audit	8,000	9,500	9,380	120
Total General Government	290,000	284,600	279,488	5,112
Public Safety				
Fire	2,000	800	780	20
Total Public Safety	2,000	800	780	20
Public Works				
Drains-at-Large Assessments	2,000	500	500	-
Refuse Collection and Disposal	7,500	5,200	5,104	96
Total Public Works	9,500	5,700	5,604	96
Health and Welfare				
Community Action Programs	1,600	1,600		1,600
Total Health and Welfare	1,600	1,600	-	1,600
Community and Economic Development				
Planning Commission	18,000	16,600	16,553	47
Zoning Administration Department	16,000	16,300	16,141	159
ZBA Department	4,000	4,000	3,175	825
Total Community and Economic Development	38,000	36,900	35,869	1,031
Other				
Insurance, Bonds and FICA	30,000	37,000	35,820	1,180
Total Other	30,000	37,000	35,820	1,180
Capital Outlay	35,000	164,500		
Land Improvements			63,365	
Communications Tower			84,000	
Building Improvements			1,802	
Office Equipment and Furniture			4,062	
Total Capital Outlay	35,000	164,500	153,229	11,271
Debt Service				
Principal	45,250	45,250	45,242	8
Interest	15,450	15,450	15,389	61
Total Debt Service	60,700	60,700	60,631	69
Total Expenditures	466,800	591,800	571,421	20,379
Other Uses				
Operating Transfers (Out)				
Deerfield Hills Park Fund	9,000	9,000	9,000	-
Total Other Uses	9,000	9,000	9,000	-
Total Expenditures and Other Uses	\$ 475,800	\$ 600,800	\$ 580,421	\$ 20,379



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

June 15, 2005

Township Board
Deerfield Township
4492 Center Road
Linden, Michigan 48451

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited the financial statements of Deerfield Township, Livingston County, Michigan, as of and for the year ended March 31, 2005, and have issued our report thereon dated June 15, 2005.

The township adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of March 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Deerfield Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Deerfield Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the

internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the township board, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division